

In confidence**Wednesday 11 December 2024 11.00 – 15.25****MINUTES****Trustees present**

Paul Thompson (Chair)
Wendy Alexander
Stephen Deuchar
Richard Hookway
Rageh Omaar
Malcolm Press
Clare Reddington
Fiona Salzen
Sushil Saluja
Christian Turner
Paul Woodgates

In attendance

Scott McDonald, Chief Executive (CEO)
Kate Ewart-Biggs, Deputy Chief Executive
Vijay Doshi, Chief Financial Officer
Charlie Walker, Director International Operations
Mark Walker, Director English & Exams
Andy Williams, Chief Operating Officer (COO)
Eleanor Hampson, Director Transformation (item 4)
Sandra Honess, Head Legal (item 5)
Clare Gambles, Partner, EY-Parthenon (item 5)
Neil Smyth, Partner, Mills & Reeve LLP (item 5)
Alison Coutts, Secretary

1. Chair's introduction**1.1 Apologies for absence and declarations of interest**

David Lefevre (*Information in this section has been removed as it is likely to be exempt from disclosure on the grounds that it contains "personal data" as defined under Section 40(2) (Personal Information) of the Freedom of Information Act 2000.*) and Katy Radford had sent apologies for their absence. There were no declarations of interest.

1.2 Minutes and matters arising

The minutes of the meeting of 24 September 2024 were approved subject to a figure-related correction in the CEO section. The trustees also asked SLT to rationalise the actions on the action log to the few which are most critical.

Matters arising

The Chair made the following comments.

The CEO will update the Board today on relations with government and on our financial situation and savings plans. The Chair, CEO, Committee Chairs and relevant SLT had met with an external lawyer and an EY-Parthenon partner immediately before the Board meeting to discuss the loan. A debrief and proposals would be presented to trustees for discussion during the meeting. The 90th anniversary celebrations and activities went really well and congratulations to all colleagues involved in organising them. It was particularly pleasing to receive the Foreign Secretary's message of support at the evening event the previous week.

All other matters arising would be covered in the meeting.

2. Feedback on strategy day

The Chair thanked trustees and SLT members for their feedback of which a summary had been shared in the pack. In discussion, trustees made the following comments. The meeting had been useful but the agenda overcrowded and as a general point it would be good to streamline all meeting agendas. The number of actions should be reduced to the main ones the Board needs to track and the rest left to SLT to address. Although there is naturally a tension between Trustees and senior executives on a charity Board, there were some comments in the feedback which need to be addressed. For example, the Board should avoid straying into operational delivery unless there's a critical risk that needs addressing, and although SLT should expect constructive criticism, it is important that other colleagues joining meetings for specific items feel welcomed and valued.

The CEO supported the above and noted that the SLT understands and appreciates the Board's role in providing strong guidance and advice, and occasionally giving instructions, whilst SLT own the plan and deciding on how to deliver it.

A conversation followed on Board agendas, with many commenting that they should be stripped back to cover essential and mostly strategic items only and free up SLT's time from preparation, whilst others felt that sessions on what we do and its impact are also useful as they give background that informs decisions.

3. Chief Executive's report

The Chief Executive gave an update on a range of events and projects delivered over the last month and on new partnerships in development. He also reported on the following.

The loan negotiations continue and this, and related legal advice, will be covered in more detail later in the meeting. Overall SLT's recommendation is that we sign the latest version of the Heads of Terms whilst being transparent about our position.

We have agreed a process for finalising our work for the Spending Review. We also continue to build relationships across Parliament to build understanding of our work and are presenting at the Foreign Affairs Committee in January.

Most of our time has been focussed on plans for delivering a further £150m of savings on top of the £185m we have made over the last three years. This will be a significant piece of work but the plan is coming together. However, in spite of various cost-cutting initiatives, we won't be able to meet the target without structural change. Therefore we are looking at more radical solutions in relation to the global operating model, the structure of the network, the teaching element of the network and whether there are other assets we could sell. Currently Berry is proceeding as planned, our building in Lisbon will be sold, and a plan for our centre in Paris will be brought to the Board early next year.

We will announce the need for further restructuring and cuts to the organisation in January. This will be a blow for morale and will require work in terms of communications and providing support to colleagues.

Trustees acknowledged the latter and thanked the team for the hard work on bringing the plans together, which they agreed were well thought-out. They noted that similar conversations will be happening across government as the Spending Review will be tough.

4. COO report

The Chair welcomed Eleanor Hampson to the meeting.

Performance Report

The COO referred to the performance report in the pack and asked for feedback. Trustees noted the high level of resignations. The COO explained that this is a new KPI as it is an area we want to track and that we are exploring the reasons behind the figure. They also commented that leadership diversity is still in the 'red' category but noted that this refers to the small UK leadership team, rather than the global leadership team where significant progress has been made.

Professional services update

Eleanor gave a presentation on how we intend to cover the remaining benefits gap, what has changed and is changing, and what this feels like to the end user.

In summary she noted that the team has been working hard to reduce the benefit gap reported in Q1 to £4.5m and that we are speeding up exits to help address it. The finance element is behind as some of it has needed a rethink to cover essential gaps, but other strands are on track to complete by the end of March. The transfer of work to TCS is on target and we are now working on tracking the benefits effectively. There have been some teething issues on process documentation but that is also improving.

The Chair of the Audit & Risk Committee thanked the team for a good job on getting this far. However he also noted the risks related to the delay on the financial element of the programme and the impact on associated savings, to the complexity of tracking the benefits from procurement savings, and to the need to address antiquated systems at some point even though they are expensive to replace. Trustees acknowledged that the latter puts strain on staff who have to find workarounds and that moving to updated systems is complex, however they commented that it is important to have a plan in place to do so.

5. CFO report

Loan update

The Chair welcomed Neil Smyth, Claire Gambles and Sandra Honess to the meeting. He also stressed the need for confidentiality in relation to this session.

The CFO updated trustees as follows. The Chair, Deputy Chair, Chairs of the Audit & Risk Committee and of the Finance Committee, the CEO, Deputy CEO and CFO had met with Neil, Claire and Sandra just before the meeting to consider the latest version of the Heads of Terms, related legal issues and trustees' responsibilities. We agreed that overall the FCDO has accommodated many of our changes into the latest version, that the tone is more collaborative and that we should now sign the Heads of Term. However, we also discussed the challenging financial outlook for the British Council over the next 5 years (*Information in this section has been removed as it is exempt from disclosure on the grounds that it is "likely to prejudice the commercial interests" of either the British Council or another party as defined under Section 43 (Commercial interests) of the Freedom of Information Act 2000.*). In order to protect trustees and SLT members, one of the mitigations we considered was writing to the PUS confirming that we will sign the Heads of Term, whilst reminding him of our fiduciary responsibilities, and also copying the letter to the Foreign Secretary so that he is aware.

At the Chair's request, Neil and Claire then outlined the trustees' governance responsibilities in this situation.

The Chair of the Finance Committee commented that the Heads of Term have improved and recommended that we sign them as soon as possible so we continue to be a going concern and can sign off the accounts.

Trustees agreed that the accompanying letters will be important for transparency and to ensure a common understanding of our position. They also gave their approval for the CEO to sign the most recent version of the Heads of Terms, on the basis that this is in the best interest of the creditors and in the reasonable belief that the British Council can avoid an insolvency process.

The Chair thanked Neil and Claire for their contribution and they left the meeting.

Going Concern

The CFO noted the following.

In order to prepare the accounts on a going concern basis, the Board of Trustees are required to satisfy themselves that sufficient financial resource is in place to enable the British Council to meet its financial commitments as they fall due for at least 12 months from the date of signing the Annual Report & Accounts, which has been taken as the period to 31 March 2026. With reference to the previous discussion, it is our belief that we will be a going concern during that timeframe and will continue to work on that basis subject to Board approval. This is subject to renewal of the loan where Heads of terms have been received from FCDO. It was also noted that as our loan negotiations are for the short-term, an emphasis of matter will be required in the annual report consistent with last year and the NAO will comment further on this in due course. The Board approved.

Q2 forecast and management information

The CFO noted that the Q2 forecast shows a worsening position from Q1 which is largely a result of reduced forecasts for teaching due to challenging trading environments, under-delivery of stretch targets for indirect costs and further devaluation of FX. It projects a net movement on reserves of -£55.7m for the full year. The period 7 management information is consistent with the Q2 forecast with no improvement seen in the P7 data.

6. Annual Report & Accounts

The COO noted the following.

As the discussions concerning the loan are still ongoing, the version of the Annual Report & Accounts (ARA) shared with trustees does not contain an agreed statement on 'going concern'. Trustees are therefore asked to review the ARA so far as it is completed and to provide any feedback before the end of December.

The Chair of the Audit & Risk Committee confirmed that the Committee had reviewed and was content with the latest version.

The Chair confirmed that the Remuneration & People Committee had reviewed and approved the remuneration section of the ARA.

The CFO noted that he had notified the Scottish Charity Regulator that we will not be able to make their filing deadline of the end of December, however we hope to meet the Charity Commission for England and Wales deadline of the end of January 2025.

7. Network update

Director International Operations gave an update on the situations in Syria and Lebanon and noted that an Incident Management Team had been set up to monitor any wider impact in the region. He also updated on Ukraine, Georgia and Myanmar.

8. Approvals

Special payment for outstanding employer contributions in China

Information in this section has been removed as it is likely to be exempt from disclosure on the grounds that it contains “personal data” as defined under Section 40(2) (Personal Information) of the Freedom of Information Act 2000.

The Board approved.

Media agency contract

Director English & Exams requested approval to sign a multi-year contract with ‘Anything is Possible’ which would replace our current media agency. This is a drawdown contract for worldwide media buying and planning services for any campaigns managed centrally by the English and Exams marketing team. It follows a competitive open competition in accordance with British Council policies and processes. The contract is for a two-year term with an option to extend for two additional 12-month periods if required. Total contract value is up to £35.2 million for the full four-year term, which requires Board approval.

The Board approved.

9. Reports from Committees

Finance

The Chair of the Finance Committee noted that in addition to the financial issues covered in discussions today, the Committee had covered the following at its monthly meetings. The management accounts and Q2 forecast, progress on trapped cash and efforts to improve the position, senior staffing in the treasury team (*Information in this section has been removed as it is likely to be exempt from disclosure on the grounds that it contains “personal data” as defined under Section 40(2) (Personal Information) of the Freedom of Information Act 2000.*), the need to develop the capability of local teams to manage cash in country as not all of it can be done centrally, the reserves position, and EY’s modelling for simplifying forecasting. The latter is starting to come to fruition and should make planning and restructuring easier.

Audit & Risk

Chair of the Audit & Risk Committee noted that the Committee had spent considerable time reviewing the Annual Report & Accounts and the loan position. It had also engaged with Internal Audit on the findings from their reports and had re-emphasised the need to be diligent in addressing actions that arise. It had looked at the quarterly risk report and particularly the increased risk related to the English & Exams surplus and key geographies. It had also

reviewed progress and challenges related to the professional services transformation programme and had had a briefing on cybersecurity.

Commercial

The Chair of the Commercial Committee noted that most matters discussed at the Committee meeting had been covered today and in addition it had had a useful discussion on competition and evolving market dynamics. It had also had a presentation on the digitalisation of products and services and improving the customer experience.

The Chair asked whether the Commercial committee would be able to spend time reviewing and scrutinising future contracts led by Cultural Engagement prior to coming to the Board for approval. Sushil Saluja said he was happy to increase the scope of the Commercial Committee to cover this and would bring back revised terms of reference for the Committee.

10. Any other business

There was no other business and the meeting finished at 15.00.